

Testimony of
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before

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Subcommittee on Management, Integration, and Oversight
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“Transforming the Department of Homeland Security Through Mission-based Budgeting”

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Mr. Chairman and Members of the Committee, thank you for the opportunity to discuss transforming the Department of Homeland Security (DHS) through mission-based budgeting.

I am a Partner in IBM Business Consulting Services and a Senior Fellow with the IBM Center for The Business of Government. The IBM Center for The Business of Government is dedicated to stimulating research and facilitating discussion of new approaches to improving the effectiveness of government at all levels in the United States and around the world.

Mission Budgeting

Good government advocates have called for mission-oriented budgeting for decades. The 1949 Hoover Commission called for a shift in budget focus away from the inputs of government to its function, activities, costs and accomplishments. According to an October 2003 report from the IBM Center for The Business of Government, there is ample opportunity to use mission and performance information at each stage of the budget process – that is, not only in the Office of Management and Budget (OMB) and the Congress, but in the agencies and by the audit community as well. The report, *Performance Budgeting: Opportunities in the Federal Budget Process*, by Philip G. Joyce, associate professor of public administration at The George Washington University, presents a comprehensive view of how performance information can be used at various stages and provides a number of specific recommendations designed to sustain progress to date and to further the use of performance information in the federal budget.

DHS is not alone

All governments are under increasing pressure to produce – and to demonstrate – results in terms of their mission. Over the last decade, countries around the world have undertaken reforms with the aim of improving the relevance and effectiveness of public services and the quality of public sector management. A key aspect of most reform strategies has been a focus on mission results and outcomes.

Yet, until recently, the performance of most public programs, and of their managers, has been judged largely on inputs and activities, in particular, how they have spent their allocated budget, and perhaps, on activities undertaken and outputs produced. Government too often is preoccupied with *process* and with following the rules, without adequate focus on the *benefits* that actually arise from public sector expenditure and activities. Measures of effectiveness across organizations and functions remains a major challenge not only within DHS, but throughout the public sector. As Jonathan Walters notes in Measuring Up: “Governments have always been really good at measuring one thing: spending . . . What government has been really lousy at is measuring what was accomplished through that spending and action.”

What is mission-budgeting?

With a mission orientation, information about mission (not programs, process or activities) can inform the policy debate and help determine the agenda. In this way, questions of

outcomes, and what forms or approaches are likely to be effective or not, would be taken into consideration in the allocation of resources.

Organizational performance can be tied to mission attainment and communicated agency-wide. Performance can be directly linked with the overall mission. Goals, objectives, outputs and outcomes can be tracked at every level so that there can be continual assessment and reassessment of the allocation of resources in relation to those elements in as close to real time as possible.

Finally, mission-based budgeting can provide more information to the resource allocation process, so that funds are allocated where they are most likely to maximize the achievement of mission outcomes. At a minimum, linking missions to budgeting can illustrate what benefits arise from expenditures. However a mechanistic link between mission outcomes and budget allocations is neither possible nor desirable. Nonetheless, information about mission can play a significant role in the overall budget process.

The Department of Homeland Security

The terrorist attacks on September 11 drove home the immediate and enduring requirement for significant changes in US national security. Asymmetric threats, growing dependence (and vulnerability) on information systems, and the need for faster cycle-time response put the nation at great risk.

Three years ago, Congress and the President took on the enormous undertaking of creating a new Department whose central mission would be to secure the homeland. Section 101 of the Homeland Security Act set forth prevention of terrorist attacks, vulnerability reduction, and response to and recovery from terrorist attacks as the main missions of DHS, along with its inherited non-homeland security-related functions. Currently, however, neither the Department nor Congress can tell from budget submissions how much is being allocated for these main mission areas.

To address this challenge the Department should take steps to measure performance and budget with more of a mission-oriented focus. Only when the Department allocates its limited resources based on mission area (prevention, vulnerability reduction, recovery/response, and non-homeland security related functions) will it be transformed into an integrated, new operation to meet its homeland security missions.

Current situation

The Department has made significant progress developing a strategic plan and an annual performance and accountability report with specific program performance measures to assess results of DHS activities in achieving its goals. However, there is little basis at present for assessing the contribution of the budget toward the mission goals. Further, nearly a third of the Department's budget goes to non-homeland security functions.

The Department's efforts to comply with OMB's measurement system for linking budgets to performance (the Program Assessment Rating Tool, or PART) have met with limited success, since DHS ties performance to sub-goals that lie two or three levels below these overarching objectives. Congress has fared little better in assessing performance. DHS appears to provide the new Homeland Security appropriations subcommittees with less budget justification detail than other agencies provide their subcommittees.

Implementation

Mission-based budgeting requires a top-down approach. Initially, it can present a major challenge, but the potential rewards are great. The move toward mission-based budgeting can begin with any number of actions, including defining, prioritizing and selecting mission outcomes, evaluating the strengths and weaknesses of current programs using standardized measures and describing the outcomes of competing mission strategies and engaging stakeholders to evaluate them.

This blueprint would reflect a rigorous annual program and budget process to prioritize operational funding and long term investments in terms of mission as well as to ensure that they reflect the Secretary's priorities and those of the President. This could provide an ongoing mechanism to monitor and adjust the implementation as well. Finally, it could be a powerful way for the Secretary to flag key issues and influence funding decisions and tradeoffs earlier rather than later in the budget process.

There is little point in engaging in such an effort, however, unless it is going to be used in some way. Indeed, if staff do not see how a mission-oriented budget can be used, this is likely to breed cynicism that can make further efforts to focus on mission more difficult. This is why it is absolutely critical to generate buy-in and commitment at all levels of the Department, as well as key congressional committees and staff. This can result in change that can represent the most enduring – and the most significant – form of use, namely in terms of actual day-to-day decision-making and management.

Challenges

Implementing a mission or outcome-oriented approach has proved deceptively difficult. Countries that have attempted this approach indicate that it has proved to be more challenging than they had anticipated, with actual implementation uneven, at least initially. Why has an outcome focus proved to be so difficult?

First, a mission orientation represents a fundamentally different way of thinking and of managing, across *all* aspects of an organization, including how it relates to citizens and major stakeholders. In order to be effective, mission-oriented thinking needs to be incorporated into the organizational culture at all levels. Organizational change of this kind is rarely easy, it always takes time to put into place and to sustain, it is certain to encounter at least some initial resistance, and it requires an array of approaches and supports.

Second, mission outcomes are longer term in nature than outputs and activities. Typically, they are influenced by a variety of factors in addition to the program intervention in question. They tend to be far more difficult to quantify than activities and outputs, where it is even possible or meaningful to do so. Given the achievement of the mission usually depends in part upon factors beyond the direct control of Departmental programs or their managers, a different approach to attribution may be required than with inputs or outputs. This can imply the need for changes to existing accountability and reward mechanisms such as the new pay for performance system.

There is, nonetheless, substantial evidence from many sources that it *is* possible to provide for a focus on mission and that it *is* possible to assess the extent to which the mission has been achieved.

Advantages of mission-based budgeting

There are many positive effects that can occur as a result of a more direct linkage between mission and the allocation of resources. First, it can lead to a more efficient use of resources, since questions about the success of mission activities are tied to the allocation of resources. Second, such a linkage can help inform key stakeholders, including the Congress, whether taxpayers are receiving sufficient “value for money.” Third, when either additions or deletions from the Department’s budget need to be made, these can be targeted in a way to optimize mission performance.

Each of these three effects is important primarily because the resources are scarce; therefore the way in which these resources are allocated is crucial to the Department’s effectiveness.

Conclusion

The Department of Homeland Security is dealing with very real and immediate threats and operational responsibilities. Mission-oriented budgeting will not be the answer to the vexing resource trade-offs involving political choice. It does, however, have the promise to modify and inform policy decisions and resource allocation by shifting the focus of debates from inputs to the mission outcomes and results which are crucial to the Department’s success and to the nation’s security.

Thank you again for the opportunity to testify. I look forward to answering your questions.